

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6453**

**BILL NUMBER:** SB 618

**NOTE PREPARED:** Jan 17, 2013

**BILL AMENDED:**

**SUBJECT:** Individual Adjusted Gross Income Tax.

**FIRST AUTHOR:** Sen. Kruse

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill eliminates the add-back to Indiana adjusted gross income for income excluded from gross income under the Internal Revenue Code for a charitable distribution from an Individual Retirement Account (IRA). The bill applies to taxable years beginning after December 31, 2013.

**Effective Date:** January 1, 2014.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** Under the federal Internal Revenue Code (IRC), from tax year 2006 to tax year 2011 a taxpayer could exclude from federal gross income a qualified charitable distribution made from the taxpayer's IRA during the year that it would otherwise be taxable. A qualified charitable distribution was a distribution from the IRA made directly by the IRA trustee to a charitable organization on or after the date the taxpayer had attained age 70½. The total amount of qualified charitable distributions from all of the taxpayer's IRAs could not exceed \$100,000 during a tax year. The American Tax Relief Act of 2012, which was enacted on January 1, 2013, extended the federal exclusion for such charitable IRA distributions for tax year 2012 and tax year 2013 (sunsetting on December 31, 2013).

Current Indiana statute requires an individual taxpayer to add-back to their federal adjusted gross income (FAGI) such charitable distributions from an IRA. Since computation of the Indiana income tax begins with FAGI, the add-back included the charitable IRA distributions in the taxpayer's Indiana taxable income. The bill would repeal this add-back effective beginning in tax year 2014. Consequently, the bill would not impact revenue from the individual AGI tax unless: (1) the Congress enacts legislation to extend the exclusion for

certain charitable IRA distributions to tax years beyond tax year 2013; and the reference in Indiana statute to the IRC in effect on a particular date is updated to include such legislation.

*Additional Information* - Add-backs for qualified IRA charitable contributions in tax year 2011 totaled \$23.6 M, with a tax impact \$803,400.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** See Explanation of State Revenues.

**State Agencies Affected:**

**Local Agencies Affected:**

**Information Sources:** Shane Corbin and Michael Fuchs, Department of State Revenue, 317-232-2107; U.S. Master Tax Guide, 2012; U.S. Senate Bill, H.R. 8 - American Taxpayer Relief Act of 2012

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